

Message Text

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44

ACTION TRSE-00

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 2358

INFO AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L BRASILIA 1909

E. O. 11652: GDS

TAGS: OVIP, XM, BR

SUBJECT: SECRETARY OF THE TREASURY SHULTZ TRAVEL

REQUEST FOR LOCAL REACTIONS

REF: STATE 51942

1. SECRETARY SHULTZ'S VISIT TO SANTIAGO MEETING HAS BEEN CARRIED BY MAJOR NEWSPAPERS. FOR PRESS REACTION SEE BRASILIA 1910.

2. SINCE FINANCE MINISTER SIMONSEN IS NEW ON THE JOB, HE WILL IN ALL PROBABILITY WISH TO HEAR THE SECRETARY'S VIEWS ON INTERNATIONAL MONETARY REFORM, THE MULTILATERAL TRADE NEGOTIATIONS (INCLUDING THE STATUS OF THE U.S. TRADE BILL) AND THE OIL CRISIS.

3. A FONOFF SOURCE HAS INFORMED US THAT FOREIGN MINISTER SILVEIRA WOULD WISH SPECIFICALLY TO DISCUSS WITH SECRETARY SHULTZ MEMBERSHIP IN IDB OF MINI STATES AND STATES FROM OUTSIDE REGION. ALSO OF INTEREST TO FOREIGN MINISTER IS NEW SOURCES OF FUNDS FOR IDB. SINCE NEW GOVERNMENT HAS NOT FOCUSED ON THESE ISSUES, FONOFF SOURCE WAS UNABLE TO PROVIDE DETAILS OF BRAZILIAN POSITION.

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4. BRAZILIAN ATTITUDES ON SPECIFIC SUBJECTS THAT MAY ARISE

DURING BILATERAL MEETINGS CAN BE DESCRIBED AS FOLLOWS:

A. COUNTERVAILING DUTY INVESTIGATION ON BRAZILIAN SHOES AND COLOMBIAN CUT FLOWERS.

THE ITEM OF PRINCIPAL CONCERN TO THE GOB IS THE US ACTION ON SHOES. THE BRAZILIANS VIEW THE US ACTION AS A THREAT TO THEIR ENTIRE EXPORT EXPANSION EFFORT WHICH IS A KEY FACTOR IN THEIR DEVELOPMENT PROGRAM. THERE ARE A WIDE VARIETY OF DIFFERENT EXPORT INCENTIVES, BUT THE GOB BELIEVES THAT THEY ARE GENERALLY CONSISTENT WITH GATT RULES. THERE HAS BEEN ON DISCUSSION OR REACTION TO THE COLOMBIAN CUT FLOWERS CASE. THE PRESS PLAY ON SHOES HAS BEEN EXTENSIVE WITH SOME CRITICAL COMMENT THAT THE ACTION CAME SOON AFTER KISSINGER'S PROMISE AT THE MEXICO CITY MEETING THAT THE US WOULD SEEK TO AVOID FURTHER RESTRICTIONS ON LATIN AMERICAN IMPORTS. (SEE BRASILIA 1726.)

B. POSSIBLE EXCEPTIONS TO US CONTROL REGULATIONS FOR SHIPMENT TO CUBA OF ARGENTINE CARS AND CANADIAN LOCOMOTIVES PRODUCED BY AMERICAN SUBSIDIARIES IN THOSE COUNTRIES. THE MEXICO CITY MEETING FOCUSED ATTENTION ON THIS ISSUE WITH EMPHASIS ON THE POSSIBLE SALE OF ARGENTINE CARS THERE WAS EXTENSIVE NEWSPAPER COVERAGE ON AN ALLEGED COMMITMENT BY KISSINGER TO INFORM BRAZIL BEFORE ANY DECISION IS TAKEN BY THE US AND ON THE SHARP REACTION BY ARGENTINA. THE BRAZILIAN OFFICIAL POSITION ON CUBAN EMBARGO REMAINS FIRM, STRONG OPPOSITION TO ANY LIBERALIZING MOVES.

C. US PROPOSAL AT MEXICO CONFERENCE FOR LATIN AMERICAN FACT FINDING MECHANISM FOR INVESTMENT DISPUTE SETTLEMENTS. THIS PROBLEM IS OF A MARGINAL INTEREST TO THE BRAZILIANS. THE GOB REALIZES ITS DEPENDENCE ON FOREIGN INVESTMENT AND FOLLOWS A LIBERAL POLICY.

D. US ACTION AND PROPOSALS IN THE ENERGY AREA. BRAZIL IS HEAVILY DEPENDENT ON OIL. THEY HAVE BEEN VERY CAREFUL TO CULTIVATE THEIR RELATIONSHIP WITH THE ARAB PRODUCERS. THEY BELIEVE OIL PRICES ARE TOO HIGH, BUT THEY WILL NOT ENGAGE IN ANY ACTION THAT COULD CONCEIVABLY POSE PROBLEMS FOR THEM WITH THE ARABS. THEY HAVE OFFICIALLY INFORMED US THAT THEY DID NOT WISH TO BE INVITED TO A CONFERENCE OF OIL CONSUMERS EVEN IF OTHER LESS-DEVELOPED COUNTRIES ARE INCLUDED. THEY HAVE NOT MADE A DECISION ON WHETHER THEY WILL PARTICIPATE IN A US SPONSORED MEETING OF CONSUMERS AND PRODUCERS. THEY ARE CONFIDENTIAL

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NOT HAPPY ABOUT THE UN MEETING CALLED BY ALGERIA BUT DID FINALLY SUPPORT THE PROPOSAL AND WILL PARTICIPATE. THERE HAS BEEN EXTENSIVE PRESS DISCUSSION OF THIS ISSUE WITH SIGNIFICANT SUPPORT FOR A GOB POLICY OF BILATERAL DEALS.

E. TRANSFER OF RESOURCES - ONE OF THE ITEMS OF MAJOR CONCERN TO BRAZIL IN THE MONETARY REFORM NEGOTIATIONS HAS BEEN THE TRANSFER OF REAL RESOURCES FROM THE DEVELOPED TO THE LESS DEVELOPED COUNTRIES. THIS ITEM HAS RECEIVED EXTENSIVE PRESS

PLAY AND WE EXPECT THE BRAZILIAN SIDE TO BRING IT UP.
CRIMMINS

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